

## Message Text

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ACTION EB-08

INFO OCT-01 EA-10 IO-13 ISO-00 AGRE-00 CIAE-00 COME-00

INR-07 LAB-04 NSAE-00 SP-02 STR-06 TRSE-00 FRB-03

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FM AMEMBASSY SINGAPORE

TO SECSTATE WASHDC PRIORITY 9449

INFO USMISSION GENEVA

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GENEVA FOR PHELAN

E.O. 11652: N/A

TAGS: ETRD, SN, US

SUBJECT: TEXTILES--BILATERAL AGREEMENT NEGOTIATIONS

REFS: (A) STATE 13987, (B) SINGAPORE 0117

1. TAN SONG CHUAN TRIED OUT HIS "ANGRY NEGOTIATOR" STANCE ON EMBOFF JAN. 20 IN CONVERSATION BASED ON REF A. ALTHOUGH THE THEATRICALS WERE A BIT FORCED AT TIMES, IT IS CLEAR THAT TAN AND THE GOS DO HAVE SERIOUS PROBLEMS WITH SOME POINTS OF THE US PROPOSALS.

2. THE BASIC PROPOSITION OF A LESS-STRUCTURED AGREEMENT SEEMS TO BE ACCEPTABLE TO TAN, ALTHOUGH HE IS WORRIED ABOUT THE LOSS OF A FIRM BASE AND GUARANTEED YEARLY INCREMENTS IN TEXTILE EXPORTS. HE MAINTAINED THAT THE QUOTAS IN SENSITIVE ITEMS WOULD HAVE TO BE QUITE GENEROUS TO COMPENSATE FOR THIS LOSS. HE SAID THE GOS WOULD ALSO INSIST ON THE MERGING OF SOME CATEGORIES BECAUSE OF CONCERN ABOUT CUSTOMS CLASSIFICATION OF THESE ITEMS. FOR EXAMPLE, HE SAID, GOS COULD NOT LIVE WITH THREE CATEGORIES OF GLOVES (333, 335, 335) IN WHICH ONLY ONE

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(335) WAS UNDER QUOTA. ANOTHER EXAMPLE HE CITED WAS TROUSERS, 347 AND 348. GIVEN THE QUOTE POSSIBLE DIFFERENCES OF OPINION IN CLASSIFICATION, THE GOS WOULD INSIST ON AN OVERALL QUOTA FOR THE GROUP OF CATEGORIES. WHILE SUCH LIMITS WOULD LIMIT EXPORTS MORE THAN THE US PLAN, IT WOULD ALLOW THE INDUSTRY HERE TO FEEL CONFIDENT THAT GOS/USG DISPUTES ON CATEGORIZATION WOULD NOT CREATE UNCERTAINTY IN THEIR MANUFACTURING OPERATIONS.

3. TAN SAID HE WOULD ALSO INSIST THAT THE USG AGREE, PERHAPS IN A SEPARATE UNDERSTANDING, NOT TO CALL FOR CONSULTATIONS UNLESS SINGAPORE EXPORTS REACHED THE LEVELS SPECIFIED IN THE MOST RECENT AGREEMENT. HE IS CONCERNED ABOUT CYCLICAL ITEMS--HE MENTIONED PAJAMAS--THAT SINGAPORE HAS NOT EXPORTED TO THE US IN RECENT YEARS BUT WHICH HAVE THE POTENTIAL TO BECOME "HOT" ITEMS AGAIN. HOW, HE ASKED, WOULD PROPOSED LESS-STRUCTURED AGREEMENT ASSURE THAT SINGAPORE WOULD RECEIVE A FAIR SHARE OF THE US IMPORT MARKET?

4. TAN WAS AGITATED ENOUGH AT ONE POINT TO THREATEN TO "GET UP AND WALK OUT" IF THE US POSITION REMAINS AS INFLEXIBLE AS IT WAS DURING THE LAST ROUND OF TALKS. HE SAID AS A LAST RESORT, SINGAPORE WOULD APPEAL TO THE TEXTILE SURVEILLANCE BOARD.

5. TWO MAJOR IRRITANTS ARE THE POINTS MENTIONED REF B. TAN CONSIDERS THEM ARBITRARY, PETTY, NOT PARALLEL WITH TREATMENT GRANTED HONG KONG AND UNILATERAL IN THAT THEY WERE NOT A PART OF THE NEGOTIATED INTERIM AGREEMENT.

ADMINISTRATIVE MATTERS: GOS HAS DECIDED TO HOST LUNCHEON FOR DELEGATES AND ADVISORS JAN. 30 RATHER THAN DINNER THAT EVENING. WE HOPE THAT DELEGATION'S REPRESENTATIONAL FUNDS WILL COVER RECEPTION AT AMBASSADOR'S RESIDENCE EVENING OF JAN. 31. TAN LIMITED OFFICIAL USE

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ALSO MENTIONED THAT INDUSTRY GROUPS HERE WERE PLANNING AS MANY AS THREE SEPARATE DINNERS FOR THE DELEGATION. WE RESPONDED THAT THAT SEEMED A BIT EXCESSIVE, AND THAT PERHAPS US DELEGATES AND ADVISORS COULD MEET THEIR SINGAPOREAN COUNTERPARTS ON THE GOLF COURSE OR A TOUR OF THE HARBOR OR AT OTHER INFORMAL OCCASIONS.

7. E/C OFFICER JOHN F. HOOG WILL SIT IN ON NEGOTIATIONS.

8. EMBASSY COMMENT: ALTHOUGH THERE IS AN ELEMENT OF GENUINE CONCERN AND DISMAY OVER A FEW SPECIFIC POINTS, TAN'S ABRUPT CHANGE OF MOOD IS PROBABLY LARGELY A NEGOTIATING PLOY. HE DOES SEEM WILLING TO GO ALONG WITH OUR DESIRE FOR A LESS-STRUCTURED AGREEMENT, BUT SEES IT AS A MAJOR CONCESSION AND WILL DEMAND POT-SWEETENERS IN OTHER AREAS SUCH AS HOT-SELLING ITEMS AND SWINGS BETWEEN CATEGORIES.

9. DELEGATION IS PROBABLY AWARE THAT DEPUTY STR WOLFF WILL VISIT SINGAPORE FEB. 3. DOES HE KNOW OF USDEL'S PRESENCE IN SINGAPORE AT THAT TIME? PRESS WILL UNDOUBTEDLY ASK HIM TO COMMENT. ALSO, CIVIL AVIATION AGREEMENT BETWEEN USG AND GOS WILL BE SIGNED SOON, PROBABLY IMMEDIATELY BEFORE DELEGATION'S ARRIVAL OR WHILE THEY ARE HERE. THREE EVENTS SO CLOSE TOGETHER WILL

FOCUS INTENSE LOCAL ATTENTION ON US TRADE POLICY.

10. AFTER TYPING OF ABOVE, EMBOFF RECEIVED THE FOLLOWING LETTER FROM WONG HONG KING OF TRADE DEPT. CONCERNING EMBASSY'S APPROACH RE GOS INFORMAL ADHERENCE TO TERMS OF INTERIM AGREEMENT.

11. "I WISH TO EMPHASIZE THAT SINGAPORE HAS ALL ALONG BEEN AGREEABLE TO SIGNING THE INTERIM TEXTILE ARRANGEMENT BEFORE 31 DECEMBER 1977, AND WOULD STILL LIKE TO SIGN IT BEFORE THE UPCOMING TALKS, ON THE BASIS OF WHAT WAS AGREED BETWEEN THE DELEGATIONS OF SINGAPORE AND THE UNITED STATES AT THE TEXTILE NEGOTIATIONS IN WASHINGTON IN SEPTEMBER LAST YEAR.

"SINGAPORE, HOWEVER, HAS NOT BEEN ABLE TO SIGN THE INTERIM LIMITED OFFICIAL USE

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ARRANGEMENT YET AS THE UNITED STATES HAS MADE CHANGES TO TWO BASIC AREAS, CONTRARY TO WHAT HAD BEEN AGREED UPON. THE TWO CHANGES ARE THE UNITED STATES PROPOSALS TO DROP CATEGORIES 343 AND 344 FROM THE ANNEX; AND AMEND THE CONVERSION FACTOR FOR CATEGORIES 445 AND 446 FROM 14.88 SYE/DOZ TO 36.8 SYE/DOZ. WE ARE UNABLE TO ACCEPT THESE AS THEY ARE, IN OUR VIEWS, FUNDAMENTAL CHANGES TO WHAT WAS AGREED TO BETWEEN THE TWO DELEGATIONS IN WASHINGTON."

12. WONG HAS ASSURED EMBASSY ORALLY THAT GOS HAS NOT RPT NOT ALLOCATED TEXTILE QUOTAS IN EXCESS OF INTERIM AGREEMENT LIMITS. HOLDRIDGE

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